



**CHARTER REVIEW SUB-COMMITTEE OF THE CITY OF SAN DIEGO  
FINANCIAL REFORM SUB-COMMITTEE  
CHAIR- DONNA JONES**

**MINUTES FOR  
FRIDAY, JULY 13, 2007, AT 9:00 A.M.**

**COUNCIL COMMITTEE ROOM (12<sup>TH</sup> FLOOR),  
CITY ADMINISTRATION BUILDING  
202 C STREET, SAN DIEGO, CALIFORNIA**

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9:05 Call to Order. Roll Call.

Committee Members:

Donna Jones, Chair	Present
John Gordon	Present
Vincent Mudd	Present
Lei-Chala Wilson	Present
James Milliken	Present

Staff in Attendance:

Jay Goldstone, CFO, City of San Diego  
Andrea Tevlin, IBA, City of San Diego  
James Ingram, Committee Consultant  
Lisa Briggs, Office of the Mayor  
Brant C. Will, City Attorney's Office

SUB-COMMITTEE COMMENT

Judge Milliken read a statement noting that the Charter Review Committee Chair and Vice Chair had considered the concerns expressed by members of the public regarding Committee meeting times and the public process. As a result of those expressed concerns, Mr. Davies and Judge Milliken recommended increasing the number of community meetings and some changes to the timing of meetings. His statement is attached to these minutes.

NON-AGENDA PUBLIC COMMENT

Ms. Joy Sunyata addressed the Committee regarding her agreement with the decision to add more community meetings and change some of the meeting times. She voiced appreciation for some of the background materials and gave staff some recommendations for changes to add clarity to other materials. She also urged televising of the subcommittee meetings on Channel 24.

#### CITY ATTORNEY, COUNCIL INDEPENDENT BUDGET ANALYST COMMENT.

None

#### ITEM – 3:     Balanced Budget Requirement

Due to the need to have staff in other meetings, this item was taken first. Mr. James Ingram presented his finding on the issue of what other jurisdictions include in their Charters regarding a Balanced Budget requirement. He referenced two reports which are attached to these Minutes.

While it was acknowledged by the IBA and City Attorney that San Diego's Charter does contain some language that implies the need for a balanced budget, there is no specific stated requirement or stand alone section that compels this. Committee members raised the issue that, if there is a requirement, should there also be repercussions when that budget is out of balance. It was noted that both New York and Philadelphia have such provisions in their Charter. It was noted that the duty to present and maintain a balanced budget ultimately rests with the Mayor. The role of the CFO is to report and manage, but the ultimate responsibility rests with the Mayor/City Manager.

The Committee requested that Mr. Ingram contact some of the cities listed to get further information on how these Charter sections work as a practical matter. The City Attorney's office was requested to analyze how such an amendment would interact with any other current sections of the Charter.

#### ITEM – 2:     Internal Auditor and Audit Committee

Due to the need to have staff in other meetings, this item was taken second. Mayoral staff distributed two grids which outlined the "straw man" language discussed at the last meeting and compared that with feedback from the IBA and City Attorney. The IBA's feedback is reflected on the grid. No feedback has been received from the City Attorney's office. The documents distributed are attached to these minutes and dated 7/13/07. The IBA went through her feedback and public comment was taken. Mr. Richard Ledford, representing the San Diego Regional Chamber of Commerce addressed this issue. His comments are attached.

Mr. Goldstone joined the meeting at this time.

Regarding the Audit Committee, key areas of difference between the initial language and that offered by the IBA are the composition of the Committee---should there be a majority of Councilmember's or majority of public members. The IBA recommends a majority of legislative members. While there was no written feedback from the City Attorney provided, Mayoral staff did note that at previous meetings, Mr. Tomanek had voiced support for a body made up entirely of legislative members; however, he had noted that he could support the IBA's alternative as well.

It was noted that both of those positions are inconsistent with Kroll's recommendation. However, Kroll's recommendation was reflective a GFOA recommendation that has since been

changed. Committee member Gordon indicated that he called the GFOA to get an explanation of the change from majority public to majority legislative. The response he received indicated that the change was based upon implementation of Sarbanes-Oxley and how that legislation has been playing out on corporate boards. Members of the committee noted that what applies in the business world does not always fit or apply in a municipal setting; thus, moving to a public member dominated Audit Committee was not necessarily precluded based on the change to GFOA standards.

Mr. Goldstone commented that the composition of the Audit Committee had a direct bearing on the perception---if not the actual state---of the Audit Committee's independence. This, in turn, feeds into the process for hiring the Internal City Auditor. With that point made, Mr. Goldstone and Ms. Tevlin noted that management and the current Audit Committee are in the process of hiring an Internal Auditor for the City. They gave an overview of that process and noted that it was working well.

Discussion then began on how the Chair of the Audit Committee should be chosen. Should the Chair's position be restricted to a legislative member only, if so, who appoints. In the alternative, should a member of the public be permitted to serve in this capacity? The question of majority legislative/majority public could have direct bearing on this issue.

Further discussion of this issue included requests that staff modify the language to reflect that the Audit Committee also have "monitoring" responsibilities. In addition, questions were asked as to how to best have the language reflect the need for public disclosure of Audit Committee work and findings. The committee also discussed the issue of whether members should be compensated.

Regarding the Internal Auditor, Committee member Gordon raised the issue of whether this position should be elected or appointed. The Committee acknowledged that further discussion would need to be had on that element of the issue.

#### ITEM – 1: Chief Financial Officer and the City of San Diego's Financial Organizational Structure

Mayoral staff distributed a grid which outlined the "straw man" language discussed at the last meeting and compared that with feedback from the IBA and City Attorney. The IBA's feedback is reflected on the grid. No feedback has been received from the City Attorney's office. The document distributed is attached to these minutes and dated 7/13/07. The IBA went through her feedback. There was no public comment.

Overall, there is agreement between the IBA's language and that initially offered as a starting point. The IBA included the requirement that the CFO be confirmed by the City Council. However, there not be a right to appeal to the Council should the Internal Auditor be terminated. Mr. Goldstone and Ms. Tevlin also agreed that, with Council confirmation of the CFO, the current requirement that the Treasurer be confirmed by Council be changed.

A question was asked as to how a balanced budget requirement would interact with this Charter section. Mr. Goldstone reiterated his point that the ultimate responsibility for the budget rests with the Mayor/Manager.

The City Attorney's office was asked to undertake a review of where these changes should be placed within the Charter and how any changes impact the Charter overall.

ITEM – 4: Minutes from June 29, 2007 Financial Reform Subcommittee Meeting

Motion by Committee member Mudd, second by Committee member Gordon to accept the minutes. Passed 3-0.

10:50 Adjourn